TO:    External Affairs Committee  
       AC Transit Board of Directors  
FROM:  Michael A. Hursh, General Manager  
SUBJECT:  Consideration of Contract Option with Titan 360  

ACTION ITEM  

RECOMMENDED ACTION(S):  
Consider approving a proposal to exercise the third one-year option to extend AC Transit’s contract with Titan 360 through June 30, 2017.  

EXECUTIVE SUMMARY:  
The District entered into a five-year contract with Titan 360 effective July 1, 2009, and has since exercised two one-year options upon approval by the Board. The current contract, which expires on June 30, 2016, allows the District the ability to exercise three (3) additional one-year options.  

With the Board’s approval to exercise the second one-year option, staff developed a new Request for Proposal (RFP) for Transit Advertising Services, and issued the solicitation on August 31, 2015.  

Upon evaluation of proposals, staff concluded that the number and quality of the proposals fell short of expectations. With insufficient time to re-issue the RFP, evaluate new proposals, and allow for a potential vendor transition, staff requests Board approval to exercise the third one-year option of the existing Titan 360 contract, as staff works concurrently to resolicit proposals for a new contract commencing July 1, 2017.  

As this is a revenue-generating contract, staff recommends exercising this option to preserve this valuable revenue stream at its highest possible level.  

BUDGETARY/FISCAL IMPACT:  
For each year of the existing contract and any option years, Titan 360 is required to pay the District a Minimum Annual Guarantee (MAG) or 65 percent of the net advertising revenues, whichever is greater.  

The MAG in any one year shall be equal to the amount identified in the contract, or 90 percent of the revenue share paid to the District by the contractor in the previous fiscal year, whichever is greater.
With the Fiscal Year 2016 MAG established at $1,416,507, the District is guaranteed a minimum of $1,416,507 in Fiscal Year 2017 if another one-year option is exercised.

Should the District choose not to exercise another one-year option with Titan 360, the District’s lost revenue is projected to be approximately $118,000 per month, until such time a new contract can be awarded and a potentially new vendor is able to ramp up operations to generate the current level of advertising sales.

BACKGROUND/RATIONALE:

The District entered into a five-year contract with Titan 360 effective July 1, 2009 through June 30, 2014, with options to extend the contract one year at a time for up to five years. The Board approved the first one-year option on December 11, 2013, and the second one-year option on May 27, 2015. The contract currently expires on June 30, 2016, and provides the District the ability to exercise three (3) additional one-year options.

With the Board’s approval to exercise the second one-year option, staff developed a new RFP for Transit Advertising Services, and issued the solicitation on August 31, 2015. Proposals were due to the District on October 12, 2015.

During the evaluation process, staff determined there was a lack of both quantity and quality sought for the services. While it is possible to re-issue the RFP this spring, there is insufficient time to evaluate proposals and allow for a smooth transition, potentially to a new vendor. Therefore, staff requests Board approval to exercise the third one-year option of the existing Titan 360 contract, as the District moves ahead to resolicit proposals for a new contract beginning July 1, 2017.

This additional time allows staff to research potential vendor obstacles in the latest RFP and conduct more aggressive solicitation of proposals. The District may also be in a better position to capitalize on a strong economy, potentially resulting in more competitive revenue proposals and increased non-farebox revenues.

ADVANTAGES/DISADVANTAGES:

The advantage of exercising the third one-year option with Titan 360 is that AC Transit is able to guarantee a minimum of $1,416,507 in annual advertising revenue in Fiscal Year 2017, thereby protecting a valuable and consistent stream of non-farebox revenue.

There is no known disadvantage of exercising an additional one-year option.

ALTERNATIVES ANALYSIS:

The District could neither extend the current contract nor exercise a one-year option. This would result in an interruption of the bus advertising program, and the decline of revenues received by the District until a new contract can be awarded. Staff does not recommend either of these options.
PRIOR RELEVANT BOARD ACTIONS/POLICIES:


Board Approval of Recommendation in Staff Report 15-049 – Solicitation for Advertising on District Vehicles – 1/28/2015

Board Approval of Recommendation in Staff Report 09-128c - Proposal to exercise the second one-year option to extend AC Transit’s advertising contract with Titan 360 through June 30, 2016 – 5/27/2015

Executive Staff Approval: Tom O’Neill, Chief Information Services Officer
Reviewed by: Denise C. Standridge, General Counsel
Claudia Allen, Chief Financial Officer
Jon Medwin, Director of Procurement
Prepared by: Michele Joseph, Director of Marketing and Communications